
A REAL ESTATE TRANSFER TAX CAN STALL OREGON'S RECOVERY

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During the recent recession state and local government has had to face declining income tax revenues and rising demands for services. However, even when the state is not stuck in recession, the pressure to raise more tax money persists. During the housing boom that preceded this recession, several interest groups eyed a sales tax on real estate transactions, known as a “real estate transfer tax,” as a source of easy money to fund their special interests. One group proposed using the taxes to increase school funding and another group proposed using it to provide affordable housing.

With the boom over, we live in an interesting time in the construction industry, as the real estate market has been mired in a severe downturn, which is negatively impacting businesses and Oregon families alike. Our economy is struggling as we face one of the highest unemployment rates in the nation at 10.5 percent. The severe decline in the real estate market has resulted in a terrifying reality for many property owners—a substantial loss of equity, and a virtual evaporation of new development opportunities.

With over 25 years of commercial development experience, and the completion of 60 developments; including retail, office, medical and mixed-use residential, I have worked with local communities to build consensus and ensure that each development adds value to their respective neighborhoods.

In my experience, I have seen firsthand how new regulations, taxes and fees impede the development opportunities that are critical to strengthening our economy and getting Oregonians back to work.

It is time to stop this downward spiral, protect property owners and revive Oregon's real estate market. Oregon's economy is struggling. A real estate transfer tax, basically a sales tax on real estate, will place an unfair burden on property owners trying to buy or sell in a tough market, will reduce equity and increase the cost of residential and commercial real estate. The result will be even more jobs lost during this recession.

This past year, the legislature approved the largest tax increase in Oregon history, resulting in \$733 million in new taxes by increasing personal and corporate income taxes. Unfortunately, this gives Oregon the dubious distinction of having the highest marginal income tax rate in the nation. In addition, this legislation changed the tax structure for businesses that have no taxable income to a sliding scale between \$150 to \$100,000 based on a company's gross sales, not net profits. This disproportionately impacts high-volume sales, low-margin businesses, including those within the real estate industry.

Today, Oregon faces a staggering \$3.5 billion budget deficit when the legislature convenes in January 2011. With local governments across Oregon currently facing budget shortfalls in the millions, there is tremendous pressure to override the statutory limitations and allow cities, counties and even the state itself to impose a new sales tax on real estate. In Oregon, real estate owners are a tempting target for cash-strapped government programs.

The Oregon Association of REALTORS® has chosen to lead an effort to gather signatures on a measure that will permanently prohibit the imposition of a real estate transfer tax here in Oregon. As a chief petitioner on this ballot initiative, I am working closely with my colleagues in the real estate industry to take a proactive position to protect real estate owners and stop new transfer taxes.

The following are some frequently asked question regarding real estate transfer taxes.

Does Oregon currently have a real estate transfer tax?

The state of Oregon does not impose real estate transfer taxes; however, Washington County in the Portland metropolitan area does impose a 0.1 percent tax on the sale of real property. Current law does not allow any additional local governments to impose a transfer tax; however, a simple majority of the legislature could remove this prohibition. In addition state legislature is not precluded in any way from imposing a statewide transfer tax.

How would a real estate transfer tax work?

Each level of government that imposes a tax would charge a percentage of the sales price (rates typically vary from 0.1 percent to 4 percent) when a home or real property is sold, thus there could be multiple layers of taxation on a single transaction. The tax is imposed whether or not you make any profit on the sale.

What is the current threat to property owners?

Oregon currently faces a \$3.5 billion budget deficit -- which may be larger when the legislature convenes in January. Local governments across the state are dealing with severe budget shortfalls as well. Oregon homeowners are a tempting target for taxes on the sale and transfer of real estate. There have been ten attempts to authorize such a tax during the last few legislative sessions.

Why is it necessary to amend the State Constitution?

A constitutional amendment is the only way to truly protect Oregon families and businesses from a real estate transfer tax being imposed in the future, stealing the equity that they have carefully build up over time. Amending the constitution allows the people of Oregon to have a voice in stopping the unfair imposition of a real estate transfer tax.

Does this measure take away any existing revenue from state or local government?

No. This proactive measure does not negatively affect current school funding, local government funding or state revenues in any way. Instead, it prohibits the state and local governments from imposing a new real estate transfer tax in the future.

Does this measure protect both residential and commercial property from a real estate transfer tax?

Yes. The measure explicitly prevents a sales tax from being imposed on the transfer of any interest in real property including agricultural, commercial and residential property.

Barry Cain is the president of Gramor Development and a chief petitioner on a ballot initiative to prohibit a real estate transfer tax in Oregon, www.protectoregonhomes.com.